



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 6, 2005

### **H.R. 1160** **Welfare Reform Extension Act of 2005**

*As cleared by the Congress on March 15, 2005, and signed by the President  
on March 25, 2005*

#### **SUMMARY**

H.R. 1160, enacted as Public Law 109-4, extends several provisions of law through June 30, 2005, including the Temporary Assistance for Needy Families (TANF), child care entitlement, and abstinence education programs, and eligibility for transitional medical assistance (TMA) under Medicaid.

Funding for the basic state grants for TANF and child care entitlement programs for the three-month period will total \$3.7 billion. However, CBO already assumes that level of funding in its baseline for those programs, as required by section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act.) Therefore, the extension of those programs—with the exception of TANF supplemental grants—has no cost relative to the baseline.

CBO estimates that H.R. 1160 will increase direct spending, relative to the baseline, by \$83 million in 2005 and by \$237 million over the 2005-2015 period, mostly for the TANF supplemental grants and transitional medical assistance. The act will not affect federal revenues.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 1160, relative to the baseline, is shown in the following table. (Changes to current law that are already assumed in the baseline are included as “memorandum” entries in the table.) The changes in direct spending, which total an estimated \$237 million over the 2005-2015 period, fall within budget functions 550 (health) and 600 (income security).

ESTIMATED EFFECTS OF H.R. 1160 ON DIRECT SPENDING (By fiscal year, in millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005- 2010	2005- 2015
<b>CHANGES IN DIRECT SPENDING</b>													
<b>TANF Supplemental Grant</b>													
Estimated Budget Authority	64	0	0	0	0	0	0	0	0	0	0	64	64
Estimated Outlays	51	10	3	0	0	0	0	0	0	0	0	64	64
<b>TANF Research</b>													
Estimated Budget Authority	4	0	0	0	0	0	0	0	0	0	0	4	4
Estimated Outlays	*	2	2	0	0	0	0	0	0	0	0	4	4
<b>Child Welfare Research</b>													
Estimated Budget Authority	2	0	0	0	0	0	0	0	0	0	0	2	2
Estimated Outlays	*	1	1	0	0	0	0	0	0	0	0	2	2
<b>Abstinence Education</b>													
Estimated Budget Authority	13	0	0	0	0	0	0	0	0	0	0	13	13
Estimated Outlays	4	5	1	1	1	0	0	0	0	0	0	10	10
<b>Transitional Medical Assistance</b>													
<b>Medicaid</b>													
Estimated Budget Authority	29	123	7	*	*	*	*	*	*	*	*	159	159
Estimated Outlays	29	123	7	*	*	*	*	*	*	*	*	159	159
<b>SCHIP</b>													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-1	-3	*	1	1	*	*	*	*	*	*	-2	-2
<b>Total Changes</b>													
Estimated Budget Authority	112	123	7	*	*	*	*	*	*	*	*	242	242
Estimated Outlays	83	138	14	2	2	*	*	*	*	*	*	237	237

**Memorandum: Changes in Direct Spending That Are Already Assumed in CBO's Baseline**

<b>TANF</b>													
Estimated Budget Authority	3,313	0	0	0	0	0	0	0	0	0	0	3,313	3,313
Estimated Outlays	2,496	549	267	0	0	0	0	0	0	0	0	3,313	3,313
<b>Child Care</b>													
Estimated Budget Authority	398	0	0	0	0	0	0	0	0	0	0	398	398
Estimated Outlays	287	88	20	3	0	0	0	0	0	0	0	398	398

NOTES: Components may not sum to totals because of rounding.

TANF = Temporary Assistance for Needy Families; SCHIP = State Children's Health Insurance Program.

\* = between -\$500,000 and \$500,000.

## **BASIS OF ESTIMATE**

### **TANF and Child Care Programs**

H.R. 1160 extends the TANF and child care entitlement programs through June 30, 2005. Those programs were scheduled to expire on March 31, 2005. The extension provides funding for one quarter of the year at the 2004 level—totaling \$3.3 billion for TANF and \$400 million for child care under the procedures the Office of Management and Budget uses for allocating funds for these programs. The extension has no cost relative to CBO's baseline because it already assumes annual funding for those programs at the 2004 level in accordance with the rules set forth in the Deficit Control Act.

H.R. 1160 also funds TANF supplemental grants at their 2004 level through June 30, 2005. The additional funding will total \$64 million. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations are eligible for the supplemental grants. Prior law specified that supplemental grants should not be assumed to continue in baseline projections after March 31, 2005, overriding the continuation rules in the Deficit Control Act. CBO estimates that states will spend \$51 million in 2005 and \$64 million over the 2005-2007 period.

In addition, the act extends funding for two research grants totaling \$6 million through June 30, 2005. CBO estimates the extension will increase spending by an insignificant amount in 2005 and by \$6 million over the 2005-2007 period.

### **Abstinence Education**

H.R. 1160 appropriates an estimated \$12.5 million for the abstinence education program for the third quarter of fiscal year 2005. Based on the program's past spending patterns, CBO estimates that this provision will increase outlays by \$4 million in 2005 and by \$10 million over the 2005-2009 period.

### **Transitional Medical Assistance**

The act also extends through June 30, 2005, the requirement that state Medicaid programs provide transitional medical assistance to certain beneficiaries—usually former TANF recipients—who would otherwise lose eligibility because of increased earnings. This requirement had been set to expire on March 31, 2005.

CBO estimates that the extension of TMA will increase federal Medicaid spending by \$29 million in 2005 and \$159 million over the 2005-2015 period. Most of the budgetary effects of the provision will occur after June 30, 2005, because qualifying families will be entitled to up to 12 months of additional eligibility, even if their eligibility runs beyond that date. Some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible into 2007.

The extension also will decrease spending in the State Children's Health Insurance Program (SCHIP) by an estimated \$2 million over the 2005-2015 period. Without TMA, CBO anticipates that some families leaving welfare between March 31, 2005, and June 30, 2005, would have had incomes high enough to make their children ineligible for Medicaid, and that some of the children in those families would have enrolled in SCHIP instead. The extension of TMA will make those children eligible for Medicaid and (because children who are eligible for Medicaid cannot enroll in SCHIP) lead to savings in SCHIP. Because states generally have three years to spend their SCHIP allotments, those initial savings will free up funds that can be spent on benefits in later years.

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